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NEWS RELEASE

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Broker-Dealer Will Pay \$100,000 Fine. Company President Punished

Firm's brokers defrauded customers, refused to permit audit. President also held responsible.

SALT LAKE CITY, Utah – The Utah Division of Securities today entered Orders against The Thornwater Company, a New York broker-dealer, and Robert J. Grabowski, former president of Thornwater. The Orders resolve allegations that they permitted stockbrokers at Thornwater to manipulate the accounts of a Utah resident, resulting in losses of \$147,000.

The Order requires Thornwater, which ceased doing business in 2003, to pay a \$100,000 fine. Grabowski will pay a fine of \$15,000 and agrees never to seek a securities license in Utah. The Orders are based on findings that Thornwater and Grabowski failed to supervise sales agents at the broker-dealer.

According to the Order, Thornwater agents improperly managed customer accounts by:

- Making purchases on margin, without an agreement by the customer to buy stocks on credit;
- Executing trades in customer accounts when the agents were not licensed in Utah;
- Falsely claiming specialized expertise or a high position at Thornwater;
- Making purchases in the accounts which were not authorized by the customer;
- Recording false information on the trading records;
- Forcing the customer to send additional funds to Thornwater to cover trades the customer had not requested;
- Refusing to halt trading in the account when requested by the customer; and
- Engaging in excessive trading in the account.

The accounts lost 92% of their value from the frequent trading. The trading in the accounts was so frequent, the entire portfolio was turned over an average of almost once a month. The accounts would have had to earn a 72% annual return, just to pay the commissions on the trades.

In December 2001, the Division attempted to conduct an audit of Thornwater's offices in New York. When the firm refused to cooperate with the audit, the Division issued an emergency order suspending its license. That order became final in January 2002. The current action against Thornwater and Grabowski was initiated on September 23, 2002. Three other agents of Thornwater have previously consented to Orders entered by the Division: Thomas Russon, James Hopkins, and Adam Harrington Rucksdeschel. The customer has been paid restitution.

With today's Order against Thornwater and Grabowski, the Division's case is now concluded.